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**Implementation of the medium-term programme
framework, 2006-2009, including:**

(a) South-South cooperation

**(b) regional programme for Latin America
and the Caribbean**

Implementation of the medium-term programme framework, 2006-2009, including South-South cooperation and the regional programme for Latin America and the Caribbean

Report by the Director-General

Reports on the implementation of the medium-term programme framework,
2006-2009.

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I. Introduction

1. This document comprises three substantive sections. The first provides a broad overview of significant recent developments in the implementation of the medium-term programme framework (MTPF) for 2006-2009 submitted to the General Conference (GC.11/12). This section will also address Board decision IDB.31/Dec.4, in which the Director-General was requested to keep Member States informed with regard to progress made in seeking direct access to the Global Environment Fund (GEF) in three focal areas. The second section provides a review of measures taken to promote South-South cooperation. The final section presents a progress report on the regional programme for Latin America and the Caribbean, in accordance with the request contained in Board decision IDB.31/5.

II. Implementation of the medium-term programme framework, 2006-2009

Overview

2. The present report builds on documents IDB.31/6 and IDB.31/CRP.2, which provided a comprehensive review of activities that had been undertaken, initiated or proposed in the context of the medium-term programme framework, 2006-2009. Given the relatively short period of time that has elapsed since the submission of these extensive reports, the current document will focus only on topics that have witnessed significant further developments in the meantime. Specifically, these topics comprise:

(a) UNIDO's efforts to reinforce the principles of results-based management in all of its activities;

(b) The Organization's proposals to introduce a number of programmatic enhancements within the context of the three thematic priority areas and the cross-cutting issues adopted in the context of the Long-term Vision Statement adopted by the General Conference through resolution GC.11/Res.4;

(c) UNIDO's measures to strengthen its field operations as a means of increasing the effectiveness of its programmatic activities;

(d) UNIDO's efforts to improve its funds mobilization potential for technical cooperation activities, in particular by expanding its access to a wider range of focal areas of GEF.

Results-based management

3. In implementing its activities under the MTPF for 2006-2009, UNIDO is strengthening the application of the principles of results-based management (RBM). An important step in this direction was taken through the programme and budgets, 2006-2007, which introduced a thematic approach to programme development for the first time, based on the three priority areas and cross-cutting issues noted above. It also sought to specify the projected outcomes of these activities, and to identify indicators to measure the degree to which these intended outcomes had been achieved. During the period of implementation to date, considerable efforts have been made to refine and operationalize these outcome criteria and measurement indicators, and to develop a comprehensive and coherent system for their application to UNIDO's various programmatic activities. Given the complexity of this task, these efforts are expected to continue for the foreseeable future, with the

aim of developing the capacity to formulate and implement UNIDO's medium-term programme frameworks explicitly on RBM principles.

4. It needs to be stressed that the comprehensive and proper application of RBM principles to UNIDO's technical cooperation activities will necessitate a substantial methodological shift in monitoring, data-collection and reporting at the project level. In particular, more attention will have to be given to assessing the actual use of project outputs by stakeholders in order to identify and measure the outcomes, or developmental impact, of the projects. As a consequence the scope of the required monitoring will be extended beyond the boundaries of implementation, thus positioning UNIDO projects into the broader context of national policies and developmental activities. This wider perspective on UNIDO contributions will have the benefit of stimulating interaction and synergies between these projects and the broader range of developmental activities being undertaken in the countries concerned, which in turn will increase the effectiveness of the interventions. Over the longer term, a more reliable monitoring of outcomes should also pay off by allowing for more flexible project documents and implementation methods. On the other hand, these benefits will have a cost, and an appropriate level of additional donor resources will have to be allocated to provide for the more sophisticated monitoring methods that will be required.

5. The adoption of RBM principles by UNIDO is also complicated by the diversity of the Organization's thematic areas of intervention. At the present stage, progress with the introduction of RBM is still uneven between the thematic areas. In the case of projects related to the implementation of the Montreal Protocol, for example, it has been possible to make more rapid progress than in the other thematic areas. This reflects the targeted nature of the interventions made under these projects, which are implemented at the enterprise level with clearly defined outputs and outcomes. This has allowed a correspondingly clear definition of monitoring and reporting requirements, leading to a quite advanced form of results monitoring.

6. The next challenge will be to identify similarly relevant and measurable outcome and impact indicators for the other areas of UNIDO's activities, and to stimulate the exchange of good practices between the Organization's various branches in order to take advantage of the most advanced experiences. This is one of the purposes of the network of RBM focal points representing all branches of UNIDO created in early 2006. These focal points support project managers by identifying and extracting information on achieved outcomes from project progress reports and, by the same token, act as on-the-job trainers in RBM matters. The recent granting of targeted financial support from the United Kingdom Department for International Development for the further development of RBM in UNIDO will enable the Organization to accelerate the adoption of the approach and to mainstream RBM under the next programme and budgets proposal. In particular, it will allow the Organization to reinforce its RBM-related training activities and to set up an RBM helpdesk.

Programmatic enhancements

7. As mentioned in the Director-General's opening statement to the twenty-second session of the Programme and Budget Committee on 5 September 2006, UNIDO will ensure that its programmatic activities are fully consistent with the guidance provided by Member States. Within this framework, the Organization will adjust these activities to evolving development priorities, and introduce measures to stimulate the most efficient implementation possible of these programmes. While the implementation of the MTPF for 2006-2009 will thus focus primarily and predominantly on the established activities summarized in document

IDB.31/CRP.2, steps will also be taken to introduce a number of programmatic enhancements, which are expected to be ready for full implementation by the commencement of the forthcoming MTPF for 2008-2011. The three principal programmatic enhancements of this kind being developed at present comprise:

(a) The creation of a network of dedicated regional centres to promote South-South cooperation, with the support of China, Egypt, India and other countries;

(b) The development of a programme to reduce youth unemployment, in a strategic partnership with other relevant development and civil society organizations;

(c) An expansion of the existing programme to promote the use of renewable sources of energy to give increased coverage to biofuels.

8. The proposal for promoting the increased use of biofuels in developing countries is based on both economic and environmental considerations, and also responds to a number of requests for technical cooperation in this field received from Member States. A task force has therefore been created within UNIDO to develop a biofuels strategy for the Organization, of which a first draft was completed in September 2006 in consultation with the Öko-Institut e.V. in Germany, one of the leading research institutions in this field. This draft strategy will be refined further in the coming months, and is expected to lead to the development of some pilot projects for technical cooperation in the coming year. It is expected to be fully operational by the beginning of the MTPF for 2008-2011.

9. As indicated in document IDB.31/CRP.2, UNIDO is continuing to give high priority to the promotion of South-South cooperation. While this topic will be covered in greater detail in chapter III below, one specific development may be noted here in the context of new initiatives taken to enhance UNIDO's programmatic activities. This refers to the establishment of UNIDO Centres for South-South Industrial Cooperation at the country level in the more developed countries of the South, with a view to developing the potential for these countries to support other developing countries in a mutually beneficial partnership framework. Considerable progress has been achieved in this field in the first nine months of 2006. A project document has already been signed by UNIDO and the Government of India for establishing a UNIDO Centre for South-South Industrial Cooperation in New Delhi. The costs (\$4.5 million for the five-year project) will be met from India's contribution to the Industrial Development Fund (IDF). A memorandum of understanding has also been signed by UNIDO and the Government of China for the establishment of a similar Centre in Beijing, using \$2 million from China's contribution to the IDF. It is planned to establish similar centres in Brazil, Egypt and South Africa.

10. The initiative to develop a programme to reduce youth unemployment in developing countries, and LDCs in particular, emerged from a ministerial roundtable held in July 2006 as part of the 2006 ECOSOC High-level Segment. This roundtable, which was co-hosted by ILO, UNIDO and the World Bank, identified a number of critical issues related to the subject of youth unemployment. In particular, it noted the important link between youth unemployment and migration, and the need for a coherent policy response based on a multisectoral approach. At the conclusion of the roundtable, the Director-General invited the participants to pursue the discussions further at a high-level consultative meeting to be hosted by UNIDO. In order to ensure a tangible developmental outcome, this meeting will focus on West Africa, and the Mano River Union in particular, and will aim to develop a multidimensional and multi-stakeholder response to the challenges posed

by youth unemployment in this region. Both the meeting and the substantive follow-up activities will be prepared in close cooperation with the United Nations Office for West Africa and the Youth Employment Network. In the meantime, UNIDO will also formulate a wider programme to address this subject in other regions, which should be operational by the inception of the forthcoming MTPF for 2008-2011.

Field operations

11. As highlighted in document IDB.31/6, particular emphasis has been given in the opening months of the current MTPF to the strengthening of UNIDO's field operations, which was one of the regional dimensions of UNIDO's programmatic activities referred to in the Strategic Long-term Vision Statement adopted by the General Conference through resolution GC.11/Res.4. It was noted that this topic had been the focus of major efforts on the part of the Organization, and that these efforts had resulted in the adoption of a new field mobility policy in April 2006. This policy enhances the country-level focus of UNIDO's activities and reflects the importance placed by the Organization on an effective field service. In this context, it provides for the assignment and reassignment of internationally recruited staff to the field to meet the operational requirements of the Organization, and foresees appropriate induction and orientation procedures for the staff members selected for field service. In addition, the policy provides for the allocation of appropriate funds for programme formulation and global forum activities in the country and regional offices.

12. The internal field staff recruitment process following the introduction of the field mobility policy resulted in the identification and selection of suitable candidates for almost all the field posts advertised. In July 2006 the selected candidates were given a comprehensive tailor-made induction course to prepare them for the representational and substantive tasks in their new duty stations. With clearances from the host Governments having been received for most of these staff members, they are expected to assume their new assignments in October 2006. In the meantime, a second round of recruitments has been initiated for posts that could not be filled in the first round or that have become vacant as a result of lateral transfers from one field post to another. The selection process is expected to be completed in the near future, with an induction course for these staff members planned for November 2006.

13. In August 2006, the sum of €550,000 was approved to provide programmatic support funds for the field offices, with another €250,000 earmarked for release at a later stage in the biennium. The UNIDO representatives are presently preparing tentative allocation proposals for the current biennium in their countries of coverage based on RBM principles. Upon endorsement of these plans, they will receive their respective allocations and be granted a high level of autonomy in their use. It is expected that these funds will enhance the UNIDO technical cooperation portfolio and global forum activities, and help to mobilize additional donor funding. The RBM-based workplan for the field offices is presently being finalized and will soon ensure more systematic field operations and a harmonious approach to achieve established outcomes and envisaged impact. A set of performance indicators for field offices and staff will be defined by the Working Group on Performance Indicators for field staff and applied to the outcomes of the RBM-based workplan for field offices.

Funding from GEF

14. Document IDB.31/6 pointed out that there appeared to be significant potential for the mobilization of additional resources from GEF. Since 2003, UNIDO has been accorded direct access to GEF funding in the focal area of persistent organic pollutants (POPs) through its status as executing agency under expanded opportunities, which has allowed the Organization to be particularly successful in obtaining funding in this area. In other focal areas of GEF—climate change, international waters, land degradation, and certain aspects of biodiversity—where UNIDO has equally good standing and in-house expertise, and where it is promoting projects, the Organization has to submit projects as an executing agency through one of the three implementing agencies, UNDP, UNEP or the World Bank, to access GEF funding. During 2006-2009, strong efforts will be made to change this situation. The Director-General made a case for change at the Third GEF Assembly in Cape Town in August 2006. The Managing Director, Programme Development and Technical Cooperation Division, also presented this case at a meeting held in October between the Chief Executive Officer (CEO) of GEF and the seven GEF executing agencies. The meeting of the GEF Council in December 2006 will be reviewing the status of UNIDO and the other executing agencies on the basis of the results of an evaluation undertaken by the GEF Evaluation Office and the response to this by the GEF CEO. At the same meeting or at the following one in June 2007, it will approve an action plan prepared by the GEF Secretariat to implement measures to accord UNIDO and the other executing agencies greater direct access.

III. South-South cooperation

Overview

15. The progress achieved by some countries of the South in terms of economic development, combined with the increase in trade, technology and investment flows between the countries of the South, has given both quantitative and qualitative stimuli to the growth of South-South cooperation. This is being accompanied by the growing recognition that the developmental potential of South-South cooperation is not only limited to cooperation among the countries of the South. This has resulted in an increasing interest among some countries of the North to participate in such cooperation, and resulted in the emergence and successful application of various forms of so-called “North-South-South” cooperation as a model for triangular partnerships for development cooperation.

16. As outlined in the documentation on the implementation of MTPF 2006-2009 submitted to the thirty-first session of the Board, UNIDO is actively supporting South-South cooperation in the field of industry. The measures taken by UNIDO in this connection enjoy the strong support of Member States, who expressed their support at the thirty-first session of the Board as well as the 40th meeting of the Chairmen/Coordinators of the Group of 77, held in June 2006 in Vienna.

17. UNIDO’s activities to support South-South cooperation fall into four categories:

- (a) The creation of an international institutional infrastructure to foster South-South cooperation in the field of industry;
- (b) Sectoral support to South-South cooperation;
- (c) Promotion of inter-agency efforts within the United Nations to support South-South cooperation; and
- (d) Other measures.

Developing an institutional infrastructure for South-South cooperation

18. As indicated above, UNIDO has initiated the establishment of specialized UNIDO centres for South-South industrial cooperation in several emerging economies of the South. Negotiations have been concluded for the establishment of centres in China and India, and negotiations are underway for the establishment of centres in Brazil, Egypt and South Africa. It is expected that each centre will develop programmes of cooperation based on the particular industrial and technological capabilities of its host country. Each centre will work with all the concerned institutions and stakeholders to mobilize technical, financial, managerial and other resources required for specific projects and programmes initiated by its host country, with the objectives of:

- (a) Enhancing productive capacities in developing countries in order to facilitate their integration into the global economy;
- (b) Providing a platform to support South-specific systems of managing and sharing development knowledge and solutions;
- (c) Increasing regional trade and integration;
- (d) Decreasing competition between peers in development;
- (e) Securing an increased bargaining power for developing countries in international negotiations.

Sectoral areas of South-South cooperation

19. In the field of agro-industrial development, two project proposals were submitted by the Government of Thailand in July 2006. They cover (a) the development of food and agricultural products, and (b) the improvement of food safety and efficiency standards, in Cambodia, Lao People's Democratic Republic, Myanmar, Thailand and Viet Nam. The Government of Thailand has expressed its intention to provide partial funding for these projects. These proposals are currently under development in UNIDO, and it is anticipated that they will become operational in 2007.

20. A high-ranking Nigerian delegation visited Thailand on 25-26 July 2006. During this visit representatives of the Governments of Nigeria and Thailand discussed cooperation in the following areas:

- (a) Utilization of agro-waste for energy;
- (b) Technical assistance in developing energy efficiency programmes;
- (c) Technical assistance in cassava-processing technologies;
- (d) Post-harvest technologies for agricultural development;
- (e) Technical assistance for the handicraft industry.

21. UNIDO has submitted an umbrella programme on renewable energy for rural electrification and productive use to the Governments of China and India. This programme will forge a strategic alliance between China and India and other developing countries, particularly in Africa. The programme is intended to focus mainly on harnessing the potential of small hydro power and biomass energy for rural electrification and the productive sectors.

22. The recent evaluation of the International Centre for Advancement of Manufacturing Technology (ICAMT) in India has provided the opportunity to refocus the Centre, develop clearer implementation and monitoring modalities, and reformulate its resource mobilization strategy. This will enable the Centre to

become a more effective mechanism for fulfilling its mission to foster South-South cooperation.

Increased inter-agency coordination of South-South cooperation

23. At the inter-agency level, UNIDO is fully engaged in system-wide initiatives to enhance technical cooperation with LDCs and within the South-South framework. UNIDO is actively partnering with the UN Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States and UNDP in the preparation of various studies and reports on technical cooperation for sustainable development within the South-South framework. Thus, UNIDO participated in an inter-agency meeting in Geneva on 23 June 2006 sponsored by the Special Unit for South-South Cooperation/ UNDP, for the preparation of the "South-Report". The Organization will contribute to this effort by preparing a report on the role of industry in South-South cooperation. UNDP has co-financed the preparation of this report, the first draft of which will be ready by mid-January 2007.

Other activities

24. UNIDO has undertaken a number of other activities in support of South-South cooperation. In a particularly important development, UNIDO joined the Vienna Chapter of the Group of 77 in hosting the fortieth meeting of the Chairmen/Coordinators of the G-77 on 8-9 June 2006, which was the first such meeting held in Vienna. In close consultation with the Vienna Chapter, UNIDO also helped to organize panel discussions on trade capacity-building and "energy for development", two issues of particular importance for developing countries. At its conclusion the meeting adopted a document entitled the "Vienna Spirit", which referred to the issues of United Nations reform and South-South cooperation. It also expressed its conviction that industrialization remains an essential factor in sustained economic growth, sustainable development and eradication of poverty in developing countries, and reaffirmed the G-77's full support for the mandate of UNIDO and called for an enhancement of the Organization's role and the maintenance of its institutional integrity in the context of United Nations reform. In particular, as noted above, this document stressed the support of the G-77 for UNIDO's South-South technical cooperation programme and encouraged UNIDO to continue its valuable work in trade capacity-building and energy for development. A comprehensive report of this meeting highlighting the Vienna Spirit is under preparation.

25. More recently, UNIDO participated in the G-77 Ministerial Meeting on Science and Technology convened by the 5th General Assembly of the Third World Network of Scientific Organizations from 2 to 6 September 2006 at Rio de Janeiro, Brazil. At that meeting, UNIDO prepared and submitted a report entitled "Challenges and Strategies for Science and Technology Development in the South: The Role of UNIDO".

26. UNIDO completed the 2005 Africa Foreign Investors Survey, which analysed different groups of foreign investors in Africa in terms of motivation, performance, perceptions and impact on the local economy. The findings of the survey shed new light on the nature and dynamics of South-South foreign direct investment into sub-Saharan Africa. These findings provide the basis for formulating strategies for responding to the increased interest in Africa among investors from some of the emerging economies, and for targeting investors from the South. They also provide the empirical evidence required for advocating policies that balance the benefits African countries can derive from investors based both in the North and the South.

27. The survey results were presented at the AfrIPANet III Conference held in Johannesburg in June 2006. AfrIPANet III was jointly organized with the New Partnership for Africa's Development (NEPAD) and the Department of Trade and Industry (DTI) in South Africa. The discussion of conclusions during the three-day conference prompted debate on how to use the survey's findings to support the African investment promotion agencies, particularly to reinforce their policy advocacy role and to strengthen their ability to implement investment promotion and servicing strategies. The discussions and three expert group meetings held during the conference resulted in the formulation of a regional programme for investment governance to promote private investment and improve the investment climate in the countries of the region. In this respect, the promotion of South-South investment flows is a major aspect of the programme.

28. As part of its global forum activities, UNIDO held an industrial development forum on the subject of industrial development, trade and poverty alleviation through South-South cooperation on 28 November 2005 as a side event of the eleventh session of the General Conference. At the forum a comprehensive paper prepared by UNIDO on the subject was presented to Member States (GC.11/CRP.5). The report addressed a wide range of relevant issues, including industrial trade, technology and investment flows; the scope for establishing a common position in global trade negotiations; and the mutual exchange of experience, knowledge and know-how in the context of South-South cooperation. The document was deliberated by the Member States during the forum, in the course of which they expressed their support for its conclusions and recommendations. In the light of these developments, UNIDO has initiated steps to issue an abridged version of this report aimed at a broader audience as the Organization's flagship document on South-South cooperation. The report is planned for completion by the end of November 2006.

IV. Regional programme for Latin America and the Caribbean

Overview

29. Responding to resolution GC.11/Res.1, the Director-General presented a report on a regional programme for Latin America and the Caribbean to the thirty-first session of the Industrial Development Board (IDB.31/5). The Board subsequently recognized, in decision IDB.31/Dec.5, the efforts made by UNIDO to develop an operational mechanism for periodical consultations with the countries of the region, and expressed its satisfaction with the measures taken to develop a sustainable mechanism to strengthen regional cooperation as requested by the General Conference. Specifically, at the thirty-first session of the Board, the Director-General proposed to organize a joint UNIDO-Group of Latin America and Caribbean Countries (GRULAC) expert group meeting to define modalities for a better dialogue and cooperation for greater impact of UNIDO technical cooperation, and to convene a high-level ministerial conference on renewable energy for productive use in the Latin American and Caribbean region.

Expert group meeting

30. In close consultation with GRULAC, it was decided that the meeting would be held in Vienna from 15 to 17 November 2006. The meeting will convene key counterparts from national ministries of foreign affairs, industry, economy, planning, cooperation or related departments from Latin American countries. The objective will be to jointly review the fundamentals of the UNIDO regional programming strategy and to launch a consensual, comprehensive and sustainable

consultative mechanism for the identification, formulation, implementation and follow-up to regional technical cooperation activities. This initiative will take into account the need to secure funding for specific areas related to poverty alleviation through productive activities, trade capacity-building, and environment and energy, in addition to a number of cross-cutting issues and global forum activities. A similar meeting for the Caribbean region will be organized at a later stage.

31. On 15 September 2006, the Director-General gave a briefing to GRULAC on the progress of preparations for the expert group meeting. The aim and activities undertaken by UNIDO for this event were presented. A rich exchange of views took place with the Director-General and full support was received from GRULAC representatives for this initiative and approach. This first briefing by the Director-General was followed by substantive discussions between UNIDO and the GRULAC Task Force.

High-level ministerial conference on renewable energy for productive use

32. This event took place in Montevideo, Uruguay, on 26 and 27 September 2006. It featured more than 40 speakers and 300 participants and consisted of panel presentations and round tables. Participants included government representatives and ministers of energy from more than 15 countries, as well as representatives of business, industry, international, intergovernmental and non-governmental organizations, academia and research institutes. One of the main outcomes of the meeting was a Ministerial Declaration, which highlighted the need to increase regional coordination to improve the rational use of energy, increase the supply of renewable energy and promote research and technological development in these fields. The Declaration also encourages governments to study the creation of a Regional Observatory on Renewable Energies and Rational Energy Use, proposed by UNIDO and to be located in Montevideo, Uruguay. The Ministerial Declaration will be sent for consideration and support to the Ibero-American Summit in November 2006. By the end of 2006, the regional observatory project will be ready in order to initiate the required fund raising.

V. Action required of the Board

33. The Board may wish to take note of the information provided under this agenda item. It may also wish to note the intention, expressed in document IDB.31/6, to cover the implementation of the medium-term programme framework in the annual reports of the Organization in future years.
